

## **Contractor's Guide for Control of Government Property**

**This guide conveys the policy of the Department of Health and Human Services (DHHS) covering the management and control of Government property. This Guide will help you learn the basics of DHHS property administration. It provides information needed by contractors to administer government property under a DHHS contract or grant to for-profit organizations.**

**This publication replaces the 1974 edition "Control of Property in the Possession of Contractors. It was prepared by the Office of Management and Acquisition, Office of Acquisition and Grants Management, Acquisition and Logistics Research Staff -**

**We hope this guide provides the information you need. If you have unanswered questions after reading it, please contact your Contract Property Administrator for further assistance.**

**Kevin E. Moley**

***Assistant Secretary for Management and Budget***

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**PURPOSE AND SCOPE  
OF THE GUIDE**

**This Guide outlines the basic policies and procedures for both cost-reimbursement and fixed-price contractors to follow in the management, control and use of government property provided under a DHHS contract.**

**This includes government-furnished property (GFP) as well as contractor-acquired property (CAP). The Guide applies to contract property administration for the management of supplies, materials and both real and personal property that is furnished by the Government or acquired by contractors, including rented or leased items.**

**When the generic term "property" is used in the text, it refers to personal property; other types of property are specifically identified (e.g. buildings, real estate). The Guide complements the Federal Acquisition Regulation (FAR) and is not intended to supersede any FAR requirements as expressed in the contract. The FAR contains the official Federal policies on property used in contracts. Any differences between this guide and the FAR as expressed in the contract, the FAR will take precedence. It is a summary of DHHS policies and procedures for contract property administration and therefore may not cover every question you have. If you need further assistance or additional information, contact your Contract Property Administrator.**

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**HOW TO USE THE  
GUIDE**

**To help you locate the information you need, this Guide is structured within a basic framework, as shown in the Table of Contents.**

**Chapter 1 contains an overview of the key players at DHHS who will be involved in the property aspects of your contract.**

**Chapter 2 outlines your responsibilities and liability for government property.**

**Life Cycle Chapters**

**Chapters 3 - 5 are organized by the life cycle of your contract, beginning with start-up and followed by contract administration and close-out.**

**These chapters apply to all contractors.**

**Special Consideration Chapters**

**Chapter 6 covers additional features which may or may not apply to your contract. If your contract falls under any of these categories, read the appropriate part of the chapter in addition to the standard life cycle chapters. These special considerations are: On-site contractors, non-profit or educational organizations, foreign governments international organizations, and government vehicles.**

**In the remainder of the Guide, you will find forms and instructions, a glossary of property terms, an appendix with condition codes, DHHS addresses, and an index. We suggest that you review the glossary to ensure that you understand exactly what is meant by terms such as personal property, nonexpendable property and accountable property.**

**Use of the index is encouraged as well. For example, if you want to locate information about excess property, the appropriate page numbers are listed under "excess".**

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**KEY PLAYERS AT DHHS**

**The key players at DHHS that you will deal with regarding your government property are: the Contract Property Administrator, Project Officer and Contracting Officer. Generally, the Contract Property Administrator monitors, coordinates and manages property requirements. The Project Officer provides technical direction and interfaces with the Contract Property Administrator about your property requirements, and the Contracting Officer authorizes the transactions.**

**This section describes their overall roles in the authorization, administration and oversight of contract property.**

**The Contract Property Administrator is the designated representative of the Contracting Officer and will be referenced in the contract. References in the FAR to the Plant Clearance Officer apply to the Contract Property Administrator at DHHS. The Contract Property Administrator administers the contract.**

**requirements and obligations related to government property, and is responsible for all property administration functions from acquisition of the property to final disposition.**

**You should deal directly with the Contract Property Administrator in the administration of your government property. It is the Contract Property Administrator's responsibility to coordinate property issues with the Project Officer and Contracting Officer. Within DHHS, the Contract Property Administrator is also assigned the responsibility of reviewing and approving property control systems and notifying you when your property control system does not meet DHHS requirements; however, the Contract Property Administrator may not obligate government funds, or execute modifications to your contract, or otherwise make changes to your contract.**

**There are a number of Contract Property Administration office locations at DHHS: Use of the term "Contract Property Administrator" in this Guide refers to the Contract Property Administrator at the office designated in your contract, and is appointed pursuant to delegated authority.**

**The Project Officer is an Agency program official who is designated in the contract as the technical representative of the Contracting Officer. Project Officers are trained as required by DHHS Acquisition Regulations (HHSAR) and are appointed to administer and monitor contract performance. They are not authorized to obligate government funds or to execute contract modifications. Your Project Officer cannot grant you approval**

**to acquire property with contract funds, nor can the Project Officer authorize you to transfer or dispose of any items.**

**The Project Officer is responsible for providing a property requirements listing along with a justification to the contracting officer, who coordinates the review, approval and physical transfer of the property with the Contract Property Administrator.**

**The Contracting Officer is the only DHHS official who can authorize you to use government property or acquire property under the contract. The Contracting Officers authorization will be stated in your contract, modification, or through the use of a Contracting Officer's Authorization (COA) authorizing contractor organizations to acquire property that used during the course of the contract. Your Contract Property Administrator will normally coordinate property matters with the Contracting Officer.**

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**CONTRACTOR  
RESPONSIBILITY AND LIABILITY Chapter 2**

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**CONTRACTOR  
RESPONSIBILITY**

You must assure that your employees are knowledgeable of your contract and of the FAR, HHSAR, FPMR, and FIRM provisions; they should have sufficient training in all areas of contract property administration. The General Services Administration (GSA) and several non-government training institutions offer three to five day courses in the administration of contractor-held property. These courses provide insight into government property administration. Your Contract Property Administrator can give you more specific information on these courses.

**Prime Contact**

It is your responsibility to designate an individual within your organization as the pdme contact for the Contract Property Administrator. Provide the individual's name, address, telephone number and signature at the inception of the contract. In the event that any of this information changes, including your organization's address or the name of the contact person, notify your Contract Property Administrator.

**Maintenance of  
Official  
Records**

Contractors are responsible for maintaining the Government's official property records unless the contract cites the FAR clauses that relieve that responsibility.

**Contract  
Requirements**

It is the contractor's responsibility to review the contract clauses and assure that the government property required to accomplish the scope of work is accurately reflected in the contract. The basic contract will include a detailed listing of accountable government property (both real and personal property with an acquisition cost of \$1 000 or more, with a life expectancy of more than two years and sensitive items regardless of acquisition value). If accountable property is provided without contract authorization, promptly notify your contracting Officer with a copy to the Contract Property Administrator.

**Property Control**

The contractor is held accountable and responsible for government property, regardless of value, from the time of receipt until the disposal of each item as directed by the Contracting Officer.

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**Contractor Responsibility and Liability Chapter 2**

**You are responsible for the control of all GFP and CAP upon delivery of the property into your custody.**

**Acquisitions**      **Acquisitions of accountable property must be authorized by the Contracting Officer before acquiring the item(s). Identification of the property will be stated in the basic contract, a subsequent modification or Contracting Officer's Authorization (COA) letter. Accountable property that is listed in work assignments, delivery orders or task orders is not authorized for acquisition or use until it has been authorized.**

**Decontamination**      **The contractor is responsible for decontaminating government property which may have been contaminated while in the contractors possession. When government property is to be transferred, disposed of, or excessed, a certification that property is free from all hazards, including biological, chemical, radioactive, or other health hazardous agents must be sent to the Contract Property Administrator.**

**Subcontractor Property**      **It is the prime contractors responsibility to hold the subcontractor responsible for reporting any transactions involving government property. Subcontractors are governed by the same requirements as prime contractors for the control of government property.**

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**CONTRACTOR  
LIABILITY**

**Contractors may be liable for government property in their possession, subject to the terms of the contract. You may be liable when government property is missing, damaged or stolen, or when there is evidence of improper or unreasonable consumption. If approval of your property control system was withheld or withdrawn, or if you fail to correct deficiencies identified by the Contract Property Administrator, the Contracting Officer may require you to accept a higher level of liability for loss of or damage to government property.**



**Chapters 3 - 5 apply to all contractors (Contract Start-Up, Contract Administration, and Contract Close-Out). Portions of Chapter 6, Special Considerations, may also apply to you.**

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<b>AUTHORIZATION</b>	<p>Prior to the start of work, review your contract concerning the authorization of property. Property that is listed in work assignments or task orders is not authorized for acquisition or use until it has been authorized in the contract, modification, or the Contracting Officer's Authorization (COA). If government property not listed in the contract is provided to you, notify your Contracting Officer.</p> <p>Review the detailed listing of property in your contract to assure that the government property required to accomplish the scope of work is accurately reflected in the contract. Be sure to check your contract for the clauses described in this section of the Guide. If any of the clauses described below are included in your contract, refer to the FAR to determine your full requirements, responsibilities and liability for the property.</p>
<b>Maintenance of Official Records</b>	<p>You are responsible for maintaining the official property records unless the contract cites the FAR clauses that relieve you of that responsibility. The clauses are normally cited in Part 11, Section I of the contract, and may be incorporated by reference. Refer also to FAR Part 45. 102 and 105.</p>
<b>Residual Property</b>	<p>The residual property clause authorizes use of property from a previous contract. If your contract contains this clause, be sure that you know exactly what is included in the residual inventory, and that the inventory listing is correct.</p>
<b>Government-furnished property</b>	<p>All accountable government property provided under your contract will be described and/or listed in the contract, including the Contracting Officer's Authorization (COA), and amendments/modification. The listing of accountable property items should include an item description (sometimes referred to as</p>

expanded nomenclature), manufacturers name, serial number, model number, and a DHHS decal number.

**Contractor-Acquired  
Government Property**

If you are authorized to acquire accountable property from a vendor, your contract will include a clause or COA letter that authorizes the transactions. Accountable property that you acquire and charge to the contract must be authorized on an individual line item basis in the contract.

**Designation of Property  
Administrator**

A reference or clause may be made to your contract to provide the name and office location of your Contract Property Administrator at DHHS.

**Using Property Under More  
than One Contract**

Government property is to be used only under the contract for which it is authorized, unless otherwise authorized by the Contracting Officer. If your organization has more than one contract with DHHS, the Contracting Officer may authorize use of government property under more than one contract.

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**START-UP INVENTORY**

At the start of your contract, you are required to conduct a physical inventory of accountable government property provided to you or acquired with contract funds, as well as any property being leased or rented with contract funds. If your contract is a follow-on, make every effort to conduct a joint inventory with the previous contractor. Your start-up inventory may be done concurrently with the transfer from the previous contractor.

**Inventory Requirements**

The start-up inventory will be a physical inventory. Any discrepancies with the government-furnished listing in the contract should be noted. The inventory must include the following information:

**DHHS decal number  
Manufacturer's name**

**Item description  
Condition code**

**Manufacturer's model number Acquisition date**  
**Manufacturer's serial number Acquisition cost**

**Record and reconcile your inventory results with the property clause in your contract, and submit the report to your Contract Property Administrator. For overages, shortages or damage, provide a statement of the condition and apparent cause. Include the name of your company's property contact for the Contract Property Administrator. Prime contractors must submit a consolidated inventory report of all government property, to include subcontractor inventory.**

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**PROPERTY CONTROL SYSTEM**

**Shortly after contract award, the Contract Property Administrator will request a copy of the written procedures for your internal property control system unless DHHS already has it. DHHS reviews the property control system to determine if it is adequate to assure compliance with government regulations and contract terms, and to assure that the property is adequately protected, maintained, utilized and accounted for. The adequacy of your property control system helps to demonstrate your ability to manage government property.**

**A contractor with a few employees may not have a need for written procedures for effective management of Government property. In such cases, the Contracts Property Administrator will evaluate the adequacy of the contractor's system on the basis of the contractors explanation of his controls and observation of the system.**

**Elements**

**An acceptable property control system must comply with the FAR. It identifies all types and classes of government property and addresses your policies on the following elements:**

**Acquisition  
Receiving**

**Maintenance and calibration  
Physical inventory**

<b>Identification and records</b>	<b>Subcontract administration</b>
<b>Storage and movement</b>	<b>Reporting</b>
<b>Property consumption</b>	<b>Disposal</b>
<b>Utilization</b>	<b>Contract completion or termination</b>

The property control system must enable you to locate any item of government property within a reasonable time. Generally, this should not exceed two working days. The system should also provide a complete, current, auditable record of all transactions, which the Government may review as frequently as conditions warrant.

The following section briefly outlines the major requirements for each element of your property control system.

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**Acquisition**

- Items are ordered in accordance with quantities stipulated in the contract.
- Existing equipment on-hand is screened before submitting requisitions.
- Correct source is identified (either government-furnished or contractor-acquired).

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**Receiving**

- Property received is inspected for discrepancies.
- Receiving report is prepared and distributed to appropriate offices.
- Discrepant items are segregated and documented (partial shipments, for example).

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**Identification and Records**

- Equipment received is promptly and properly classified and labeled with a DHHS property decal.
- Inventory control and financial records are established and maintained for the property.

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**Contract Start-Up    Chapter 3**

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- **Basic information is contained in the records, as outlined in the FAR.**

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**Storage and Movement**

- **An adequate system to control movement and location of property is maintained.**
- **Property in storage is protected, preserved and inspected to prevent loss, damage and deterioration.**
- **Adequate safeguards are provided for securing government property.**
- **A first in/first out system is established for stored items, subject to age deterioration and warranty expiration.**

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**Property Consumption**

- **Property is consumed only under contract performance.**
- **Stock record system of records is maintained for consumable items.**

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**Utilization**

- **Methods are established to ensure that government property is utilized only for purposes authorized by the contract.**
- **Contractual authorization is obtained to use property for other than its original authorized purpose.**
- **A system is established to review and identify government property for release when it is no longer required for contract performance.**
- **Criteria are established and retention of idle equipment is documented and justified by the program manager.**

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**Maintenance and Calibration**

- **A scheduled maintenance program is established, consisting of a systematic written procedure for servicing and inspecting equipment.**
- **The goal is safe, efficient and economical operation of government equipment.**

- **A program is implemented for the following categories of maintenance: preventive maintenance, routine repair and adjustment, emergency repair, and calibration.**
- **A calibration control system is designed for all measuring and test equipment to provide control of the evaluation, calibration, maintenance, repair and use of it.**
- **Records are kept of maintenance and calibration performed, including cost and date.**
- **Maintenance and calibration are performed by technically qualified personnel.**
- **System is capable of identifying high maintenance costs for review; corrective action is taken by management and is documented.**

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|---------------------------|---|
| <b>Physical Inventory</b> | <ul style="list-style-type: none"><li>• <b>Physical inventories are generally conducted at the start of the contract, annually on the anniversary of contract award, fiscal year end, on a special basis if directed by the Government, and within 90 days upon contract completion or termination as specified in the contract.</b></li><li>• <b>Inventories should be taken by personnel other than those having custody of the property or maintaining the records unless the contractor's operation is too small to do otherwise.</b></li><li>• <b>Inventories are conducted using the "wall-to-wall" approach.</b></li><li>• <b>Physical inventory results are promptly reconciled with property records.</b></li><li>• <b>Inventory results and discrepancies are promptly reported to the Contract Property Administrator.</b></li></ul> |
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**Subcontract  
Administration**

- **Procedures and controls are established to assure that government property in a subcontractor's possession is adequately protected.**
- **Subcontractor is aware of contractual property provisions.**
- **Subcontractor will report loss, damage or destruction of government property to the prime contractor for notification of the Contract Property Administrator.**

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**Reporting**

- **Annual inventory reports are to be provided to the Contract Property Administrator by October 31st each year.**
- **Any loss of or damage to government property is immediately reported to the Contract Property Administrator.**
- **Government property excess to contract requirements is promptly reported to the Contract Property Administrator.**
- **HHS Form 565 is submitted for all accountable contractor-acquired and leased property; receipt of GFP is reported to the Contract Property Administrator when the property is received.**
- **Any other reports specified in this Guide or in the contract.**

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**Disposal**

- **Disposition instructions provided by the Contract Property Administrator are carded out as directed.**
- **In accordance with instructions, the disposal of property is properly documented.**
- **The quantity, condition code and location are reported accurately for property items requiring disposition.**

- **A decontamination certification is included in the final inventory report at the conclusion of the contract unless waived by the Contracting Officer.**

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**Contract Completion or Termination**

- **Residual property is reviewed for appropriate actions (such as decontamination or repair) before transfer or disposal of property.**
- **A full accounting is effected for all government property in possession of the prime contractor and subcontractor. The final inventory report is submitted promptly unless the Contracting Officer specifically approves an extension of time.**
- **Pending issues are resolved, such as inventory adjustments and determinations of liability, before contract closure.**
- **The Contract Property Administrator is notified when all pending actions on property-related issues are completed.**

**DHHS Review of System**

- **Your written system of procedures for property control must be submitted to the Contract Property Administrator for review within 30 days from the date it is requested. The review and approval of a contractor's property control system at a specific site by one agency is binding on all other government departments and agencies, under interagency agreements. However, DHHS may impose special property administration requirements to meet Agency needs.**
- **Disapproval of System** If your system does not comply with the FAR or contract requirements, corrections will be required after notification of deficiencies. If you do not correct the deficiencies within the schedule that was agreed upon, the Contract Property Administrator will recommend disapproval of your system by the Contracting Officer. Your liability for loss of or damage to



**government property may increase if approval is withheld or withdrawn.**



<b>ACQUIRING PROPERTY</b>	<b>There are several ways to acquire property. You may obtain GFP through a transfer of property from an HHS office or another contract, or by securing excess property (this requires a special contract authorization). You may be authorized to acquire property by purchasing it from GSA supply sources (requiring a special authorization in your contract) or from a private vendor, or you may be required to lease or rent the property.</b>
<b>Authorization Required</b>	<b>Regardless of how you acquire property, any use of accountable government property under a DHHS contract must be authorized in writing by the Contracting Officer.</b>
<b>Unauthorized Property Acquisitions</b>	<p><b>If you possess accountable GFP or CAP which has not been authorized by the Contracting Officer, immediately report details about your possession of the property to your Contracting Officer with a copy to the Contracts Property Administrator.</b></p> <p><b>The Contracting Officer will determine if it is appropriate to allow you to retain any unauthorized property. If the Contracting Officer grants authorization, the acquisition will be ratified and reflected in a contract modification.</b></p>
<b>Government-Furnished Property</b>	<b>The furnishing of government property will be coordinated by your Contract Property Administrator. You must identify your needs to your Contracting Officer who will coordinate with the Project Officer; the clear definition of your needs before property is provided will facilitate the authorization process. The transaction must be authorized before property is physically transferred to you. When you receive the property, examine it to see that it will meet your needs and that it is in the proper condition for work performance. If the property does not meet your needs, notify the Contracting Officer immediately.</b>
<b>Transfer Between Multiple Contracts</b>	<b>If you have more than one contract with DHHS and want to have property transferred from one contract to another, coordinate this through your Contracting Officer who will coordinate</b>

**with the Contract Property Administrator. If the transfer is approved, the Contracting Officer will issue a modification to effect the transfer.**

**Acquiring Excess  
Government Property**

**If you are located near a government installation, you may be able to acquire excess property. This requires the approval of your Contracting Officer to issue a screeners identification card (GSA Form 2946). If authorized, your Contract Property Administrator will provide catalogs of excess property. Contact your Contract Property Administrator for details about obtaining excess property.**

**Also, surplus personal property may be donated through State agencies to non-profit tax-exempt activities such as medical institutions, hospitals, schools, universities etc. Refer to FAR Part 45.609 and FPMR 101 -44.207.**

**Contractor-Acquired**

**Property Prior to authorizing the acquisition of CAP, there is a justification process and a determination of the method that is in the best interest of the Government. The documentation of this process and the analysis, called a property justification, is coordinated by the Contracting Officer with the Project Officer.**

**Property justifications are required for all leased items, regardless of value. If accountable CAP has been authorized under your contract, the contract will specify whether the property is to be purchased, leased or rented. The FAR and FPMR contain detailed information about procurement requirements; they may assist you in developing adequate procedures.**

**GSA Supply Centers**

**GSA and Federal Supply Schedules should always be considered as a first source of supply. If you are authorized to acquire property from a GSA supply source: FEDSTRIP (Federal Standard Requisitioning and Issue Procedures) or Customer Supply Centers, contract clause, modification or letter of**

authorization from your Contracting Officer is required to authorize use of these supply sources.

#### **FEDSTRIP and Customer Supply Centers**

FEDSTRIP and Customer Supply Centers are operated by GSA to serve the retail needs of federal agencies. Cost-reimbursement contractors may also use these sources, if authorized. FEDSTRIP is used for ordering large quantities of items while Customer Supply Centers are intended for small quantity orders. If you are interested in using these first supply sources, contact your Contract Property Administrator for details.

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#### **REPORTING AND REIMBURSEMENT FOR ACQUISITIONS**

Prime contractors must submit consolidated reports that include subcontractor acquisitions. Subcontractor acquisitions are subject to the same reporting and justification requirements as prime contractors for acquiring property under the contract. The prime contractor coordinates subcontractor transactions; subcontractors do not deal directly with the Contract Property Administrator, except for subcontractors to the Small Business Administration.

#### **Receipt of Contractor-Acquired Property**

Immediately upon receipt of accountable property items, report the acquisitions on HHS Form 565, Report of Accountable Property. Submit the completed HHS-565 to your Contract Property Administrator (a copy of the form must also be attached to your reimbursement voucher). You may obtain blank forms from your Contract Property Administrator. Specific instructions for completion of HHS Form 565, as well as a copy of the form itself, are located in Chapter 7 of this Guide.

Accountable property is nonexpendable personal property with an acquisition cost of \$1 000 or more, and with a useful life of two years or more and sensitive items regardless of acquisition value. All accountable property items acquired under your contract must be reported on HHS Form 565, including such commodities as components, accessories, improvements and

**add-ons that exceed the accountable threshold as well as leased or rented items. Be sure to report design, labor and/or transportation costs, if applicable. These costs are included in the acquisition cost of the item in the Agency's records.**

**Discrepancies in Shipments**

**If you discover an overage, shortage or damage upon receipt of CAP, take whatever actions are necessary directly with the vendor or the supplier.**

**Receipt of Government-Furnished Property**

**When you receive accountable GFP, notify your Contract Property Administrator by letter immediately upon receipt of the property; this applies to unauthorized as well as authorized government property. If an HHS Property Transfer document is forwarded to you for signature, sign it and return it to your Contract Property Administrator. If you send a letter, include the decal number, acquisition cost, item description, model number, serial number, condition code and physical location of the property. Remember: prime contractors report to the Contract Property Administrator all transfers to subcontractors.**

**If your Contract Property Administrator forwards an HHS Transfer Form for your signature, verify that all information recorded on the form is correct. Remember to check the condition of the property and ensure that it will meet the requirements of the work to be performed. If there are any discrepancies with the form, notify your Contract Property Administrator upon receipt of the property. Once you have verified the information on the form, sign it where indicated and return it to your Contract Property Administrator.**

**Discrepancies in Shipments**

**If you discover an overage, shortage or damage upon receipt of GFP, or if property is unusable for any reason, provide a statement of the condition and apparent cause to the Contract Property Administrator. If necessary, file the appropriate claim forms with the shipping company.**

**Leased Property**                      **The acquisition of leased property must also be reported on HHS Form 565 if the acquisition cost of the leased item would exceed the accountable threshold (see Glossary) and if the lease term exceeds two months. Chapter 7 in this Guide contains details about the specific information that is reported.**

**Subcontractor Acquisitions**                      **Notify your Contracting Officer with a copy to the Contract Property Administrator at least 45 days before the termination of a lease arrangement, whether due to the expiration of the actual lease or the termination/expiration of your contract. Also advise the Contracting Officer of any credits toward purchase of the item. The advance notice to DHHS will allow the Government to decide whether to purchase the item or return it upon lease expiration, or to buy out the lease if it has not expired.**

**Accountable items acquired by a subcontractor are reported by the prime contractor to the Contract Property Administrator on HHS Form 565. Reimbursement to a subcontractor is coordinated and processed by the prime contractor; prime contractors are reimbursed by DHHS for authorized subcontractor acquisitions. DHHS communicates directly with the prime contractor only, except for contracts with the Small Business Administration under its 8(a) program.**

**Receipt of Component Parts**                      **Component parts or other items acquired for addition to a piece of property that has already been reported and decalcd, must be reported on HHS Form 565, if the component's price exceeds the accountable threshold. State the DHHS decal number of the main unit and indicate that the components will be added to that piece of property. Also record an entry for such costs as design, labor and transportation, if applicable; these costs are added to the acquisition value of the item.**

**Fabricating Equipment**                      **If equipment, components or additional items are acquired individually and then assembled into one main unit, report the acquisition of accountable items individually as they are pur-**

chased. Include a statement on HHS Form 565 that one major unit is being constructed. When the item has been completed, notify the Contract Property Administrator, and state this on your 565.

**Records**

If the construction of prototype or special research equipment is authorized by the contract, report the costs for design and labor along with the value of the components to include equipment, material and supplies. Special test equipment fabricated from materials that are government property are recorded as government-owned immediately upon fabrication. If equipment is fabricated from materials that are contractor-owned, the completed item is recorded as government property when title passes to the Government.

**Installed Property**

Before installing government equipment at your site, you must obtain authorization from your Contracting Officer, and a modification or authorizing letter must be issued. Before installing the property, consider how the property can be removed at contract completion. It is suggested that you discuss this with your Project Officer. Provide your Contracting Officer with a detailed report on the cost of removal and restoration, as well as a planned disposal method. Include labor costs for installation and/or set-up, and transportation costs in the total cost.

**Reimbursement for  
Acquisitions**

Contractors generally submit SF-1 034 and/or SF-1 035, Public Voucher for Purchases and Services Other than Personal, for reimbursement of costs incurred under contract performance. You must itemize acquisitions under the "Personal Property/Equipment" category of your voucher and not simply list them as "Other Direct Costs". The Contract Property Administrator receives a copy of your voucher from the DHHS paying office and checks voucher entries to ensure that property acquisitions are reported under the proper category.

**Affach Copy of HHS Form  
565**

The original HHS Form 565 is submitted to your Contract Property Administrator. A copy of the form must be attached



to your voucher to support reimbursement claims. If you submit a voucher including costs for accountable personal property items, but fail to attach a copy of the 565, payment for the personal property items may be suspended by the Contracting Officer.

**Invoice Preparation**

If you have questions about voucher/invoice preparation and processing related to personal property, please contact your Contract Property Administrator. Any other questions about vouchers should be directed to the paying office designated in your contract.

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**PROPERTY  
IDENTIFICATION**

This section describes requirements for decals, sensitive items, precious metals, and special test equipment.

**Decals**

Decals are identifying tags designed by DHHS to identify Agency property and to display the specific number assigned to a particular item, or to identify a specific class of property. DHHS has a variety of decals to identify property classifications:

Bar code decals identify accountable property.

For other than accountable property, a decal that states "Property of U.S. DHHS" may be furnished, if requested.

Blank paper decals maybe provided for components or other add-ons (the DHHS decal number of the main unit is written on the decal and affixed to the component).

Decals may be furnished for leased items (the decal number is preceded by the letter "L" or "R").

**Metal decals may be requested for property that is exposed to the environment**

**If you are provided GFP without affixed decals, contact your Contract Property Administrator in writing to request the decals. Your Contract Property Administrator will furnish decals for accountable CAP. The DHHS decal numbers should be referenced in your correspondence.**

**Items that Cannot be Decaled**

**Some property items cannot be decaled. These include submersible items and those subject to chemical exposure under weather conditions. You may request metal decals for property that is exposed to the environment. Other items cannot be decaled because the decal will not adhere to that particular type of surface (pumps, some typewriters, for example). In these cases, make every effort to indelibly mark the item by painting or etching the decal number on it. Items that cannot be decaled or otherwise marked with the decal number, such as platinum crucibles, are subject to additional controls. One option for recording the decal numbers is to attach the decal to your copy of HHS Form 565 that shows receipt of the item. Stock cards can also be used, recording detailed information about the item, and attaching the decal to the stock card.**

**Sensitive Items**

**Sensitive items are property items that are highly desirable and easily converted to personal use. Special efforts must be made to control and protect sensitive items. Sensitive items classified as accountable property, and must be reported on HHS Form 565. If you need assistance in identifying sensitive items, contact your Contract Property Administrator for more information. Sensitive items are listed in Appendix C.**

**Signature receipts are required to establish individual accountability for all sensitive items regardless of value.**

**Precious Metals**

When authorized, precious metals can be acquired directly or indirectly, as government-furnished or contractor-acquired personal property. Precious metals such as platinum, used in the composition of crucibles or evaporating dishes, for example, are commodities requiring sensitive item accountability as well as classification as precious metals. Keep records of the amount of precious metal comprising the commodity.

Some precious metals, such as gold and silver, may exist within the boards and wiring of certain computer and laboratory instruments. Maintain a record of this information to assure appropriate recovery if outright disposal is considered.

**Recovery of Precious Metals**

The recovery of precious metals must be reported annually to your Contract Property Administrator; report the amount recovered and the method of recovery. Contractors that consistently use photographic services, for example, must develop a program for the recovery of silver. Contractors should contact the Contract Property Administrator who will contact the regional GSA Federal Supply Service or the Defense Logistics Agency (DLA) serving the area for assistance. The Contracting Officer will approve a credit to the contract when the silver is properly disposed of at a profit.

**Special Test Equipment and Components**

Special test equipment authorized as GFP or CAP under the contract will be marked with a serial number and the DHHS decal number. If it is not feasible to mark the equipment, report this to the Contract Property Administrator. Special test equipment components valued at \$1 000 or more and incorporated in a manner that makes removal and re-utilization feasible and economical, must also be marked. Property identification should be legible, permanent, conspicuous, and tamper-proof, consisting of serial number and decal number. Remember: off-the-shelf testing equipment is not classified as special test equipment (see Glossary).

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<b>ANNUAL INVENTORY</b>	<p>A physical inventory of accountable government property must be conducted by September 30th and submitted by October 31st of each year. Your inventory must include accountable government property items acquired, furnished, rented and/or leased under the contract. Employees who conduct inventories should not be the same individuals who maintain the property records. Following the physical inventory, prepare an inventory report and submit it to your Contract Property Administrator and Contracting Officer. Include all accountable government property in your possession, even if it has not been authorized by the Contracting Officer. Remember: software (commercially leased) has been classified by DHHS as sensitive; and is subject to reporting requirements.</p>
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**The minimum information that must be recorded follows:**

<b>DHHS decal number</b>	<b>Associated DHHS decal numbers</b>
<b>Manufacturer's name</b>	<b>Item description</b>
<b>Manufacturers model number</b>	<b>Acquisition date</b>
<b>Manufacturers serial number</b>	<b>Actual cost of item</b>

<b>Subcontractor Inventory</b>	<p>Prime contractors must submit a consolidated report of all accountable government property under the contract, to include subcontractor inventory. Subcontractors should report their inventories to the prime contractor.</p>
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<b>Certification</b>	<p>Your final inventory report must include a certification that all items are required for continued contract performance and are free from contamination. Property that is no longer usable or required must be reported and identified as such.</p>
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**Reconciliation of Inventory**

Reconcile your inventory with your property records. If you discover overages or shortages, report them in your cover letter and submit back-up documentation, described in the following paragraphs, to initiate the appropriate actions.

**Overage Procedures**

For overages, your Contract Property Administrator will notify your Contracting Officer. You will be contacted and asked to provide information about how you acquired the property and to justify your continued need for it. Your Project Officer may initiate the property justification process if your retention of the item is approved by the Contracting Officer.

**Shortage Procedures**

First, attempt to locate the item. If you have property at more than one site, check your other locations. If you cannot find the item, submit a statement explaining all related circumstances, including the actions you have taken to try to locate the property. In your letter, you may request relief of accountability for the item. If you suspect the item was stolen, report this immediately to the local police. The Missing, Stolen and Damaged Property section of the Guide outlines the required content of your statement.

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**MISSING, STOLEN AND DAMAGED PROPERTY**

Promptly notify the Contract Property Administrator of any loss, damage to, or destruction of government property in your possession or control, or in the possession or control of a subcontractor. You are required to investigate the circumstances of each incident and ensure that measures are taken to prevent recurrence. You must report all known facts and circumstances of the case, to include the following information:

- Description of item(s) missing, stolen, damaged, or unreasonably consumed to include condition of the item before it was missing/stolen, DHHS decal

**number (if applicable), manufacturers name and model number**

- **Date the item was last inventoried**
- **Cost of item and projected cost of repairs, for damaged property**
- **The last time the item was physically seen**
- **The names of individuals who used the item**
- **The names of individuals who had access to the item**
- **The name of the individual who discovered it was missing**
- **The date and time the item was first discovered missing**
- **The actions taken to try to locate the item**
- **Previous similar occurrences and measures taken to prevent future occurrences**
- **Other facts or circumstances relevant to determination of liability and responsibility for repair or replacement**

**Any loss due to theft or suspected theft must be reported immediately to the local police and the Federal Bureau of Investigation (FBI). Check the U.S. Government listings in your telephone directory for the phone number. Send a copy of the police report to the Contract Property Administrator. The Contracting Officer will determine your liability for losses.**

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**RECORDS**

**Your property records must identify all types and classes of government property (expendable supplies, materials, nonex-**

pendable personal property/equipment and real property). The records must be safeguarded from tampering and/or destruction. Separate property records should be maintained for each contract.

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**Personal Property**

Your personal property records must ensure that the following areas of property administration are covered:

Acquisition	Maintenance and calibration
Receiving	Physical inventory
Identification/records	Subcontract administration
Storage and movement	Reporting
Property consumption	Disposal
Utilization	Contract completion

**Audit of Records**

Your records should provide a complete, current, auditable record of all transactions. They must be accessible to authorized government personnel; your records are subject to review by the Government as conditions warrant. Compliance reviews may take place at any reasonable time during contract performance, completion, termination, or any time during the period you are required to retain such records. Records must be retained for the time period specified in FAR 4.705 or for any longer period specified in your contract.

**Basic Information**

Your inventory records must provide the following information for every item of government property in your possession:

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**Contract Administration Chapter 4****Expendable Supplies and Materials**

<b>Item description</b>	<b>Unit of measure</b>
<b>Unit price</b>	<b>Contract number</b>
<b>Quantity received</b>	<b>Location</b>
<b>Quantity issued</b>	<b>Disposition</b>
<b>Quantity on hand</b>	<b>Posting reference</b>

**Nonexpendable Personal Property/Equipment Owned****Leased**

<b>DHHS decal number</b>	<b>DHHS decal number</b>
<b>Item description</b>	<b>Item description</b>
<b>Manufacturers name</b>	<b>Manufacturer's name</b>
<b>Manufacturers model number</b>	<b>Manufacturers model number</b>
<b>Manufacturers serial number</b>	<b>Manufacturer's serial number</b>
<b>Actual cost of item</b>	<b>Monthly cost</b>
<b>Acquisition date</b>	<b>Installation date</b>
<b>Contract number</b>	<b>Credits accrued</b>
<b>Government-furnished or Contractor-acquired</b>	<b>Contractor's current order number</b>
<b>Associated DHHS decal numbers</b>	<b>Expiration date</b>
<b>Maintenance cost</b>	<b>Acquisition price if purchased</b>
<b>Current location</b>	<b>Buy-out price</b>
<b>Condition code</b>	

**Secondary Sites**

**There is no requirement to record unit price in the records maintained at secondary and subcontractor sites, provided that the records maintained at your primary site do contain unit price. You must agree to furnish actual or estimated unit prices on equipment you purchase when the need arises. If the specific unit price cannot be obtained, you may use reasonable estimates.**



**Real Property**                      **Real property consists of buildings, grounds, improvements, structures, and features permanently installed in, or attached to, facilities. Personal property installed on non-government realty is treated like personal property, not real property. It is subject to the controls for personal property outlined in this Guide. Your property control records for real property must contain the following basic information:**

<b>Real Property</b>	
<b>Item description</b>	<b>Quantity</b>
<b>Unit price</b>	<b>Unit of measure</b>
<b>Contract number</b>	<b>Location</b>
<b>Manufacturer's name</b>	<b>Date of transaction</b>
<b>Manufacturer's model number</b>	<b>Disposition posting reference</b>
<b>Manufacturers serial number</b>	<b>Type of utilities attached to</b>

**Requirements**                      **Your property control records for all government real property, including alterations, construction work and sites, will include an itemized record of the description, location, acquisition cost and disposition. These records must include maps, drawings, plans, specifications, and supplementary data. They must be complete and include original cost of the property, and improvements, changes and additions.**

**Capitalization**                      **If you incur any cost for new construction, assembly to the real property, expansions, extensions, conversions, additions, alterations and improvements, the cost will be capitalized. DHHS must record the cost as a capitalized asset. To assist the Agency in carrying out its responsibility, report this information to DHHS. The costs for real property involving destruction of the facility or costs for ordinary maintenance or repair of the property are not capitalized.**

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**STORAGE AND  
MOVEMENT**

**Guidelines for the storage and movement of government property are covered in this section.**

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**Storage**

**Take measures to protect and preserve stored government property in order to prevent loss, damage and deterioration. The property should be clearly identified as government property and should not be intermingled with non-government property. Ensure that stored items requiring special handling (such as flammables or explosives) are stored safely and are adequately protected.**

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**Movement of Property**

**Document the movement of government property when property is removed from any of your sites for return to the Department or delivery to another contractor or agency. In these instances, the physical relocation of the government property must be documented in writing, with copies provided to the Contract Property Administrator and the Project Officer. Notify your Contract Property Administrator before the property is moved, and instructions will be provided.**

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**TRADE-INS**

**Trade-ins or exchanges may be authorized for outdated equipment in a contractors inventory, or in order to decrease the purchase cost of a new item. This type of transaction occurs rarely, and is authorized only when there is a definite advantage to the Government.**

**Request for  
Authorization**

**If you wish to trade in or exchange government property for identical items, or for newer state-of-the-art items that are similar, send a written request to your Contracting Officer, with a copy to the Contract Property Administrator. Your Contract Property Administrator will coordinate with the Contracting Officer, who may grant approval for the trade-in or exchange.**

**If the trade-in is disallowed, and you have no further use for the item, it will be offered to DHHS offices for use, or referred to other agencies through the routine excess process.**

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**EXCESS PROPERTY**

**You must report to your Contract Property Administrator all government property that is excess to your needs. Property in your possession may be considered excess if it is no longer required for contract performance or no longer in working order and repair is considered impractical. Your Contract Property Administrator will coordinate with your Contracting Officer to determine if the item is required on another contract or by the sponsoring program. If the property cannot be used elsewhere in the Department, there is a series of steps that DHHS must follow to dispose of excess property. This is sometimes a lengthy process, and you may be required to store the excess property while the procedures are being carried out. You are responsible for the property as long as it is in your possession.**

**Report of Excess**

**The Contract Property Administrator in conjunction with DHHS property management will issue an SF-1 20 (Report of Excess Personal Property), an SF-126 (Report of Personal Property for Sale), or an SF-15 (Sale of Government Property) for government property, regardless of value, that is not required for further use by the Department. The appropriate form will be executed and an informational copy forwarded to your designated representative. This individual's name normally appears on the forms as the contact person for anyone requesting additional information on the excess property. The Contract Property Administrator will advise your representative of the steps that are involved and will issue final disposal instructions when release of the items is appropriate.**

**Quite often, GSA forwards a form or a letter directly to the contractor. If you receive any of this material directly from GSA, please forward it to your Contract Property Administrator.**

**Information provided by GSA to your Contract Property Administrator will be sent to you as needed.**

**Disposal  
Instructions**

**You may not dispose of any item until you receive the Contracting Officers approval and complete written instructions from the Contract Property Administrator. Disposal options include transfer, donation, trade-in, sale, abandonment, cannibalization, scrapping or destruction of the property.**

**Once you have declared an item as excess, with the concurrence of your Contracting Officer, the Contract Property Administrator will notify GSA of the excess item for transfer to another government agency/department or contractor. If the item cannot be transferred, it is offered to state agencies in the GSA region for donation. If the states are not interested in the item, it is then offered to the public for sale. If GSA is unable to dispose of the item, the Contract Property Administrator is notified by GSA that DHHS is authorized to conduct a small lot sale or abandon the item.**

**Abandonment and  
Destruction**

**Excess property may be destroyed or abandoned by DHHS only after every effort has been made to dispose of it by other authorized methods. With GSA's permission, DHHS may elect to abandon property at a site under certain circumstances during the life of a contract or during close-out of the contract. Authorization for abandonment requires a written determination by the Contracting Officer.**

**If you are authorized to abandon an item, remove all government markings from the item. Prepare and submit to your Contract Property Administrator a certification that the item is disposed of, and that it is disposed of in a manner that does not endanger the health and safety of the public.**

**Donation**

When the Contract Property Administrator informs you that an item cannot be disposed of through GSA, you may be asked to identify any non-profit organizations in your local community that are interested in the item. If you are a for-profit firm, the item must be donated to a third party, as previously described. Local organizations to consider include high schools, vocational schools, colleges or service organizations (such as Goodwill Industries, Salvation Army, or Volunteers of America).

**Letter from  
Organization**

If it is known that an organization is interested, request a letter from them stating that they are a non-profit organization, and stating how the item will be used. The letter should be forwarded directly to the Contracting Officer with a copy to the Contract Property Administrator by the organization. The property item must be free from contamination; it is your responsibility to provide this certification.

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**CANNIBALIZATION**

Cannibalization refers to either the alteration of a piece of government property that is generally obsolete due to age or technological advances, or reducing equipment to parts in order to obtain needed components. In other words, you are cannibalizing property when you remove serviceable parts from an item, rendering it unserviceable or reducing its value. You may not cannibalize government equipment unless you have received the Contracting Officers approval and written instructions from the Contract Property Administrator.

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**CONTAMINATION**

The descriptions of transfers and disposal actions contained in this Guide assume that the property involved is decontaminated. Any contamination of personal property/equipment must be immediately reported to both the Contract Property

**Hazard-Free  
Certification**

**Administrator and the Contracting Officer along with a certification that items are hazard-free. The contractor is normally expected to decontaminate the item so that it may be used again.**

**The following certification, signed by the contractor or an authorized official, must accompany each copy of the excess declaration or final inventory when shipment from the contractors facility will be required:**

**I certify that the listed property is free of biological, chemical, radioactive, other health hazardous contamination, and that the property is safe for shipment, except for the following line items:**

**\***

**\* (Enter line item numbers or "No Exceptions")**

**Signature**

**Title and Date**

**Packing, Crating, and  
Shipping**

**When shipment of government property is required, the contractor is responsible for proper packing, crating, and handling to ensure it reaches its destination in good condition. Shipments shall be made pursuant to the directions of the Contract-**

**ing Officer or Contract Property Administrator and the contractor must advise the Contract Property Administrator of the items shipped, date of shipment, number of crates or parcel's, carrier's name, and the waybill number immediately after carrier's pickup.**





**FINAL INVENTORY AND  
CERTIFICATION**

At the end of your contract, you must conduct a final inventory.

Employees who conduct inventories should not be the same individuals who maintain the property records.

**Inventory Requirements**

The final inventory will cover all property items furnished or acquired under the terms of your contract, including nonexpendable/expendable property items regardless of cost, and supply items and materiel not consumed during contract performance. The amount of accrued lease credits for leased property will also be included on the final inventory. Advise the Contract Property Administrator of any and all unusual circumstances related to the inventory. Failure to provide the prescribed final inventory will delay contract close-out and final payment.

You are required to report the following information on your final inventory:

DHHS decal number	Associated DHHS decal numbers
Item description	Acquisition cost
Manufacturers name	Condition code
Manufacturers model #	Quantity
Manufacturers serial #	Physical location of item

**Certification**

Final inventories must include the following certifications.

"I certify that except for items consumed in the performance of the contract, this inventory includes all materials, supplies and equipment furnished by the Government or acquired by the contractor for the account of the Government under contract number

"I further certify that all property is in a state free from contamination by any hazardous or toxic substances, and requires no additional clean-up or decontamination efforts."

**Follow-on Inventories**

When government property under your contract is being transferred to another contract, it is suggested that a joint inventory be conducted. This may effect the transfer of the property, relief of liability for the closing contractor and receipt by the follow-on contractor.

Contractors that have no government property in their possession must submit a certification to that effect.

**Government Terminates Contract**

If the Government elects to terminate a contract for the convenience of the Government, the requirements for a termination inventory are the same as outlined for a final inventory. The termination inventory must be conducted primarily for disposal purposes.

**Subcontractor Inventories**

Prime contractors must submit a consolidated inventory report of all government property, to include subcontractor inventory. Subcontractors should report their inventories to the prime contractor. Subcontractor inventory is reported in the same detail as outlined for prime contractors; state the location of the subcontractor property being reported.

**DISPOSITION OF PROPERTY**

Your Contract Property Administrator will provide written instructions for the disposition of your property. You may remove government property from your site only in accordance with those instructions. You are responsible for the property until final disposition has been completed.

<b>Leased Property</b>	<b>Notify your Contract Property Administrator at least 45 days before a lease arrangement is terminated, and report the status of any purchase credits. This applies to leases due to expire when your contract ends, and to leases that continue after the completion or termination of your contract. If the lease is expiring, the Government may elect to purchase the item, or if the lease has not expired, the Government may choose to buy out the lease. Your advance notice to the Contract Property Administrator will permit sufficient time for a determination to be made.</b>
<b>Disposal Options</b>	<p><b>In disposing of the property, the Government may elect to exercise any of the options described below:</b></p> <p><b>if a cost reimbursement-type contract, allow the contractor to buy contractor-acquired items and inventory at 100% of acquisition value;</b></p> <p><b>return the items/inventory to the original supplier for credit, less any reasonable restocking charge. (Do not finalize the purchase or return any merchandise without written instructions from the Contract Property Administrator);</b></p> <p><b>transfer all or part of the inventory to another contract; &amp; transfer the inventory to a licensee by means of a Revocable License Agreement for a loan;</b></p> <p><b>have the inventory returned to DHHS; or</b></p> <p><b>report the inventory as excess.</b></p>

**Other options the Government may consider for the disposition of your property include sale to the public, donation, abandonment, scrapping and destruction. Your Contract Property Administrator will provide specific written instructions for the disposal of your property.**

**Chapters 1 - 5 apply to all contractors. Portions of Chapter 6 may also apply to you. If your contract falls in any of these categories, read the appropriate section of this chapter: On-site contractors, foreign governments or International organizations, non-profit or educational organizations, and government vehicles. The information that appears in Chapter 6 is supplementary to the first five chapters, describing only additional information or special considerations.**

**ON-SITE  
CONTRACTORS**

**On-site contractors are organizations working under contract on DHHS premises. Any use of government real and personal property must be authorized in the contract as GFP, or on an "access to..." basis. In either instance, it will be itemized in the basic contract or in a subsequent contract modification.**

**Suspected Theft  
of Property**

**The procedures for missing, stolen and damaged property vary slightly for on-site contractors when theft or suspected theft is involved. Notify DHHS internal security office as well as your Contract Property Administrator.**

**On-site contractors are guided by the instructions, procedures, and practices outlined in Chapters 1 - 5 of this Guide. In these chapters, the requirements for inventories, points of contact, acquisitions, transfers, disposition and other property administration areas are covered.**

**FOREIGN  
GOVERNMENTS/  
INTERNATIONAL  
ORGANIZATIONS**

**This section pertains to contractors that are foreign governments or international organizations. Before awarding this type of contract, the Contracting Officer will determine whether costs will be recovered or rental charged for the use of government-furnished property. The contract will specify if property is provided on a rental or non-rental basis. The official property records will be maintained by DHHS for all foreign governments and international organizations.**

**Foreign governments or international organizations performing cost-reimbursement contracts may be permitted to carry insurance for loss or damage to government property, and the cost of the insurance permitted as an allowable**

expense to the contract. Or they may claim immunity from liability, as determined by the Contracting Officer.

Contractors that are foreign governments or international organizations are guided by the instructions, procedures, and practices outlined in Chapters 1 - 5 of this Guide. In these chapters, the requirements for inventories, points of contact, acquisitions, transfers, disposition and other property administration areas are covered.

**NON-PROFIT/  
EDUCATIONAL  
ORGANIZATIONS**

When contractor-acquired property is authorized for a non-profit or educational organization under a DHHS contract with the primary purpose of research, there are special conditions for the vesting of title. Except as outlined in this section of the Guide or in the contract, title to CAP ordinarily vests in the non-profit or educational organization working under a research contract. At the Government's discretion, however, in some instances title may vest in the Government, and the non-profit/educational organization will be subject to the requirements described in Chapters 1 - 5 of this Guide.

**Acquisitions: Less than  
\$5000/\$1000**

If you are classified in the basic contract or subsequent modifications as an educational or non-profit institution, and you obtain the Contracting Officer's approval before acquisition of the property, you will automatically acquire and retain title for any items of personal property costing less than \$5000 acquired on a reimbursable basis. Contracts awarded prior to the implementation of the Federal Acquisition Regulation (FAR) in April 1984 must use \$1 000 as the dollar figure for vesting title.

**The acquisition of all property items under the contract requires the prior approval of the Contracting Officer. Within ten days after the end of the calendar quarter during which you received the property, you must furnish the Contracting Officer and the Contract Property Administrator with a list of CAP valued at less than \$5000/\$1000 (refer to FAR Part 45 – Government Property for more information).**

**Acquisitions: More than  
\$5000/\$1000**

**If property costs \$5000/\$1000 or more, and the parties specifically agree in the contract, title may:**

**vest in the contractor upon acquisition;**

**vest in the contractor, subject to the Government's right to direct transfer of the title to the Government or to a third party within 12 months after contract completion/termination; or**

**vest in the Government if the Contracting Officer determines that vesting of title in the contractor would not further the objectives of the Agency's research program.**

**All acquisitions of contractor-acquired property valued at \$5000/\$1000 or more must be reported on HHS Form 565 to the Contract Property Administrator. A copy of the form must be attached to the reimbursement voucher.**

**Title Considerations**

**When title to CAP vests in a non-profit/educational institution, neither depreciation, amortization or use charges are allowable for those items under any existing or future government contracts or subcontracts. Title may not be transferred to the**

contractor if the contract is performed at a government installation (on-site) and there is a continuing need for the property following contract completion. The absence of an agreement covering title to property that cost \$5000/\$1000 or more and that was acquired by the contractor with government funds does not limit the Agency's right to act to vest title in a contractor. If there is no contract clause showing who has title, the Contract Property Administrator will record the vesting of title to the property in DHHS.

Non-profit/educational organizations using property titled in DHHS are guided by the instructions, procedures and practices outlined in Chapters 1 - 5 of this Guide. In these chapters, the requirements for inventories, points of contact, acquisitions, transfers, disposition and other property administration areas are covered.

## **VEHICLES**

This section covers basic information about government vehicles authorized under your contract. If you need additional information, contact your Contract Property Administrator.

**Title/Certificate of Origin** If you are authorized to acquire vehicles under your contract, you must ensure that each vehicle is registered in DHHS' name on the title/certificate of origin. Do not register government vehicles with the State; DHHS will furnish license tags.

### **How to Obtain License Tags**

You may request license tags in advance, upon receipt of the Notification of Shipment from the vendor. Complete an HHS Form 565 to request tags; be sure to attach a copy of the Notification of Shipment. The purpose of using Form 565 in this instance is to provide the information DHHS needs for processing your license tags. Report the acquisition of the vehicle on DHHS Form 565, in the standard format (see Chapter 7 for details). After the vehicle is received, forward the title/certificate of origin to the Contract Property Administrator. Please furnish the name and telephone number of your contact point for government property.



**Returning License Tags**

**It is your responsibility to return the license tags to your Contract Property Administrator when the vehicle is taken out of service. If the vehicle is replaced, new tags must be issued for the replacement vehicle.**

**Identification of Government Vehicles**

**The Contract Property Administrator will provide license tags, legends and Agency decals to identify the vehicle as DHHS-owned.**

**Trailers**

**If you receive a title/certificate of origin for a trailer you acquire under your contract, forward the title or certificate to your Contract Property Administrator.**

**Reporting Requirements**

**There are special reporting requirements for government vehicles; they are outlined in the following section.**

**Accident Reports**

**If a government vehicle is involved in an accident, complete a report of the incident. Forward two copies of the accident report to your Contract Property Administrator, and keep a copy for your files.**

**Maintenance Records**

**You must ensure that government vehicles authorized under your contract are maintained in safe, mechanically sound condition. Keep current records of the cost and type of maintenance performed, such as oil changes, tire rotations, and tune-ups. Your maintenance records must include back-up documentation; these records are subject to review by the Government.**

**Vehicle Reports**

**Submit a report to your Contract Property Administrator listing all vehicles under your contract, and identifying projected vehicle acquisition needs for the next one year period. Include a copy of your maintenance records/log for the current quarter,**

**showing the type and cost of maintenance performed. You do not need to send copies of the supporting documentation.**

**Vehicle Listing**

**Include the following information in your vehicle listing:**

**Type of vehicle (e.g., sedan or station wagon)  
Model, make and year (e.g., 1990 Chevrolet Blazer)  
License tag number  
Serial number  
Vehicle mileage  
Vehicle location  
Name and telephone number of your property contact**

**Projected Vehicle Acquisitions**

**In your annual report, identify your projected vehicle acquisition needs for the next one year period, to include replacements and additional vehicles. The standard lead time for acquiring vehicles through GSA is 8 - 10 months. Thus, it is essential that you provide DHHS sufficient time to process your request.**

**Disposal**

**If you have been authorized by the Contract Property Administrator to dispose of DHHS vehicles through release to a state agency or buyer, you may not release the vehicle(s) until the Contract Property Administrator provides you with one of the following:**

**a transfer of title initiated by the Contract Property Administrator; or**

**SF-97, Certificate of Release of a Vehicle. This requires the signature of the buyer/receiver and provides written instructions about relief of accountability.**

**GSA Vehicles**

**A contractor may be authorized by the Contracting Officer to lease GSA vehicles. The Contract Property Administrator will assist in implementing this with GSA's Interagency Fleet Management System.**



**This chapter provides a sample form and specific instructions for the completion of HHS Form 565. Use of the form is discussed in Chapter 4 of this Guide, in the section entitled Reporting and Reimbursement for Acquisitions. If you need additional forms during the life of your contract, contact your Contract Property Administrator.**

**DHHS FORM 565 for  
Government-Furnished/  
Contractor-Acquired  
Property**

**DHHS Form 565, Report of Accountable Property is used to report the receipt of accountable government-furnished /contractor-acquired property that is purchased, leased or rented. The sample form in this chapter provides detailed instructions for completion of the form. Additional information about completing HHS Form 565 is provided below.**

**Reporting Component  
Parts**

**The acquisition of such commodities as components, accessories, improvements, alterations and add-ons that exceed the accountable threshold must also be recorded on HHS Form 565. When reporting these items, report the decal number of the item being enhanced or altered so that its value may be increased in the Agency's records.**

**Reporting Leased  
Property**

**The acquisition of leased property must be reported on HHS Form if the acquisition value of the leased item exceeds the accountable threshold and if the lease term exceeds two months. The following information must be reported on the form: acquisition value, duration of lease, expiration date, monthly rental or lease cost, and buy-out value.**



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## GLOSSARY

<b>Abandonment</b>	<b>Leaving government-owned property in a non-federal location following expiration of a contract, or following a determination that the item is no longer required for use on the contract. Abandonment may be authorized by the Government if no other alternative is available for disposal due to the item's low value or condition as long as the property is free from contamination.</b>
<b>Accountable Personal Property</b>	<b>Nonexpendable personal property with an acquisition cost of \$1000 or more, and sensitive items regardless of dollar value.</b>
<b>Cannibalization</b>	<b>The removal of serviceable components from otherwise unserviceable government property. Authorization is required before government property may be cannibalized.</b>
<b>Component Part</b>	<b>Nonexpendable property which is installed or affixed to an item of accountable property. It must be integral to the functioning of the main unit and not have the capacity to stand alone. Examples include a memory board for a computer and a probe for a photoionizer.</b>
<b>Condition Codes</b>	<b>Appraisals of the current condition of government accountable property through the assignment of designated codes. For example, condition code "1" refers to unused property in good condition. See appendix A for the list of condition codes.</b>
<b>Contaminated Property</b>	<b>Equipment/supplies that have been exposed to toxic or radioactive materials, chemicals or other waste products which render them unsafe for use.</b>
<b>Contract Modification</b>	<b>A negotiated or unilateral change in the basic contract that alters funding, scope of work, personnel, government property authorizations, or any other terms of the basic contract.</b>
<b>Contracting Officer's Authorization (COA)</b>	<b>A document issued by a Contracting Officer to a Contractor to authorize the purchase of contractor acquired property.</b>

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## Glossary

<b>Contractor-Acquired Property</b>	<b>Property purchased or otherwise provided by the contractor using contract funds, and reportable as government property.</b>
<b>Customer Supply Center</b>	<b>A supply operation maintained by the General Services Administration (GSA) for the Government and its authorized contractors. The Customer Supply Center is used to procure small quantity orders of supply items. A contractor may be authorized by the Contracting Officer to use this source of supply.</b>
<b>Decals</b>	<b>Tags designed and used in DHHS to identify Agency property. Decals are affixed to accountable property and display the specific numbers assigned to individual items of government property.</b>
<b>Disposition</b>	<b>The sale, transfer (with or without the exchange of funds), donation, destruction, or abandonment of property.</b>
<b>Excess Property</b>	<b>Government property that is not required for immediate or foreseeable use.</b>
<b>Expendable Property</b>	<b>Supplies and materials that are consumed or expended routinely, that lose their identity under contract performance; such as pens, pencils and typewriter ribbons.</b>
<b>Facilities</b>	<b>Property used in accordance with terms of the contract for production, maintenance, research, development, or testing. The term does not include material, special test equipment, special tooling, or agency-peculiar property, but it does include plant equipment and real property.</b>
<b>FEDSTRIP</b>	<b>An acronym (Federal Standard Requisitioning and Issue Procedures) referring to a procedure used by the Government and its authorized contractors to procure goods from the General Services Administration (GSA). A contractor may be authorized by the Contracting Officer to use this source of supply.</b>



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## Glossary

<b>Follow-On Contract</b>	<b>A contract that is re-competed or renewed and awarded to the same or a different contractor.</b>
<b>Government-Furnished Property</b>	<b>Property in the possession of or acquired directly by the Government, and subsequently delivered or otherwise made available to the contractor.</b>
<b>Government Property</b>	<b>All real and/or personal property owned by, or leased to the Government under the terms of a contract. Government property includes government-furnished and contractor-acquired property.</b>
<b>Hazard-Free Certification</b>	<b>A certification stating an item(s) is free from contamination. It is submitted when government property is no longer required at the contractors facility or upon conclusion of the contract.</b>
<b>Leased Property</b>	<b>Property that is either acquired by the contractor or the Government under a lease arrangement.</b>
<b>Liability</b>	<b>The degree of a contractor's obligation to the Government for contractor inventory.</b>
<b>Material</b>	<b>All items not identified as equipment which are necessary for the equipping, maintenance, operating and support of government activities whether administrative or operational.</b>
<b>Materiel</b>	<b>Items that are generally referred to as supplies, material, apparatus, and equipment.</b>
<b>Modification</b>	<b>A negotiated or unilateral change in the basic contract that alters funding, scope of work, personnel, government property authorizations, or any other terms of the basic contract.</b>
<b>Nonexpendable Property</b>	<b>Personal property which is durable with an expected useful life of two or more years, is complete in itself, and does not lose its identity or become a component part of another item.</b>

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## **Glossary**

<b>Non-Profit Organization</b>	<b>Any corporation, foundation, trust, educational or other institution recognized by DHHS and referenced in the contract as operated for scientific or educational purposes, not organized for profit, and no part of the net earnings of another corporation which inures to the profit of any private shareholder or individual.</b>
<b>Personal Property</b>	<b>All government property, excluding real property, which is either furnished by the Government or acquired with contract funds.</b>
<b>Physical Inventory</b>	<b>A wall-to-wall sighting and recording of all equipment items within a certain area. The types of inventories are start-up, annual, special and final.</b>
<b>Precious Metals</b>	<b>Uncommon and highly valuable metals characterized by their superior resistance to corrosion and oxidation, such as platinum and gold.</b>
<b>Property</b>	<b>Both real and personal. It includes facilities, supplies and material, special tooling, special test equipment, furniture, office equipment.. ADP hardware and Agency-peculiar property.</b>
<b>Property Control System</b>	<b>Identifies a contractor's internal management program encompassing the protection, preservation, accounting for, and control of government property from its acquisition through disposal.</b>
<b>Property Management</b>	<b>The overall responsibility required for the management, acquisition, utilization and disposal of personal property.</b>
<b>Real Property</b>	<b>Buildings, grounds, improvements, structures, and features permanently installed in, or attached to, facilities.</b>
<b>Salvage</b>	<b>Property that has no reasonable prospect of sale or use as serviceable property without major repairs because of its worn, damaged, deteriorated, or incomplete condition or its special.</b>

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## Glossary

<b>Surplus Property</b>	<b>Government-owned personal property classified previously as excess but not requested for transfer by any federal agency; thus, it is available for donation or sale.</b>
<b>Title</b>	<b>The legal right to claim, control, and dispose of property as a result of a purchase.</b>
<b>Trade-in</b>	<b>The exchange of an item of property for a similar replacement Where by the vendor agrees to apply the value of the replaced item toward the purchase price of the new item.</b>
<b>Unauthorized Property</b>	<b>Government-furnished or contractor-acquired property that is not authorized by an appropriate contract clause and/or modification and is in the possession of a contractor.</b>
<b>Unrequired Property</b>	<b>Government-furnished property or property acquired by the contractor during the life of the contract that is no longer needed to perform the scope of work under the contract for which it is authorized.</b>
<b>Voucher</b>	<b>Document prepared by the contractor for reimbursement of appropriate expenses incurred while carrying out the</b>

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**APPENDIX A**  
**CONDITION CODES**

<b>Condition Code</b>	<b>Brief Definition</b>	<b>Expanded Definition</b>
<b>1</b>	<b>Unused-good</b>	<b>Unused property that is usable without repairs and identical or interchangeable with new items from normal supply sources.</b>
<b>2</b>	<b>Unused-fair</b>	<b>Unused property that is usable without repairs, but is deteriorated or damaged to the extent that utility is somewhat impaired.</b>
<b>3</b>	<b>Unused-poor</b>	<b>Unused property that is usable without repairs, but is considerably deteriorated or damaged. Enough utility remains to classify the property better than salvage.</b>
<b>4</b>	<b>Used-good</b>	<b>Used property that is usable without repair and most of its useful life remains.</b>
<b>5</b>	<b>Used-fair</b>	<b>Used property that is usable without repairs, but is somewhat worn or deteriorated and may soon require repairs.</b>
<b>6</b>	<b>Used-poor</b>	<b>Used property that may be used without repairs, but is considerably worn or deteriorated to the degree that remaining utility is limited or major repairs will soon be required.</b>
<b>7</b>	<b>Repairs required-good</b>	<b>Required repairs are minor and should not exceed 15 percent of original acquisition cost or less.</b>
<b>8</b>	<b>Repairs required-fair</b>	<b>Required repairs are considerable and are estimated to range from 16 percent to 40 percent of original acquisition cost.</b>
<b>9</b>	<b>Repairs required-poor</b>	<b>Required repairs are major because property is badly damaged, worn, or deteriorated, and are estimated to range from 41 percent to 65 percent of original acquisition cost.</b>
<b>x</b>	<b>Salvage</b>	<b>Property has some value in excess of its basic material content, but repair or rehabilitation to use for the originally intended purpose is clearly impractical. Repair for any use would exceed 65 percent of the original acquisition cost.</b>
<b>s</b>	<b>Scrap</b>	<b>Material that has no value except for its basic material content.</b>

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**APPENDIX B****CONTRACT PROPERTY ADMINISTRATOR ADDRESSES**

**To obtain information concerning addresses, phone numbers of Department of Health and Human Service Contract Property Administrators, please contact the Contracting Officer for your contract.**

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## **APPENDIX C**

### **Government Property to be Classified as Sensitive Equipment Regardless of Dollar Value**

**Barcode Reader/Scanners**

**Binoculars**

**Buffers, Micro**

**Calculators, programmable and scientific**

**Cameras and Lenses**

**Carpenter and Mechanics Tool Kits**

**Computer Software and Documentation (Commercially  
Leased only)**

**Laboratory Balances**

**Medical Equipment**

**Microwaves**

**Personal Computer Components**

**CPU**

**keyboards**

**monitors**

**modems**

**printers**

**physicians emergency kits**

**portable two way radios**

**Recorders/Players, (Tape/Video/Stereo/Compact Disc etc.)  
valued over \$50**

**Television Sets**

**Weapons (including tranquilizer guns)**